SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Cardoza	Analyst: Marion Mann DeJong	Bill Number: AB 9
Related Bills: AB 156	Telephone: 845-6979	Amended Date: 03/15/1999
	Attorney: Doug Bramhall	Sponsor:

SUBJECT: Gun Safe Credit

____ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _________.

____ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

____ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _________.

____ FURTHER AMENDMENTS NECESSARY.

____ DEPARTMENT POSITION CHANGED TO _______________________.

__X__ REMAINDER OF PREVIOUS ANALYSES OF BILL STILL APPLY.

____ OTHER - See comments below.

SUMMARY OF BILL

This bill would create a tax credit for Personal Income Tax (PIT) taxpayers equal to $150 for the purchase of a new gun safe by the taxpayer during the taxable year. This bill also would require the Franchise Tax Board to report annually to the Legislature regarding this credit.

SUMMARY OF AMENDMENT

The March 15, 1999, amendments reduced the number of gun safe purchases that may qualify for the credit from two to one and added the requirement that the gun safe be used in California.

The March 15, 1999, amendments resolve the policy considerations regarding resident and nonresident use of a gun safe outside this state that were raised in the department's analyses of the bill as introduced December 7, 1998, and amended February 18, 1999. Except for these policy considerations, the department's prior analyses still apply. A revised tax revenue discussion is provided. In addition, the remaining implementation considerations and the position from the prior analysis are reiterated below.

TAX REVENUE DISCUSSION

The revenue estimate has not changed from the estimate in the department's prior analysis. The revenue impact of this bill would remain at $2 million annual losses beginning in fiscal year 2000-01. There would be negligible losses for fiscal year 1999-00.

As amended, the bill further limits the credit to the purchase of one new gun safe each taxable year for the personal, noncommercial use in California by a taxpayer.

Board Position:			Department/Legislative Director	Date
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__X__ N	____ OUA	____ PENDING	**Johnnie Lou Rosas**	**4/2/1999**

Reducing the number of eligible safes from two to one has a negligible impact on the estimate, as it is not expected that the credit would generate multiple purchases by many taxpayers. The revenue estimate is based on the number of projected sales in California. Estimates have consistently assumed that a gun safe purchased in California would be used in the state. The revenue discussions in the prior analyses for the bill still apply.

IMPLEMENTATION CONSIDERATIONS

This bill would raise the following implementation considerations. Department staff is available to assist the author with any necessary amendments.

The bill would require the combination or key lock on the gun safe to be listed by the Underwriters' Laboratories Inc. Taxpayers may not know whether the safe they purchased meets this qualification, and auditors may have difficulty verifying the safe met this qualification. Further, the department may have difficulty in verifying whether a gun safe is "new" as required by the bill, since a taxpayer could purchase a used gun safe from a dealer in such items.

- The bill would require the "taxpayer" to use the safe for personal, noncommercial use. It is unclear whether the author intends to allow partnerships, estates and trusts, and limited liability companies to claim the credit or intends to limit the credit to individuals. The term "taxpayer" would include all entities subject to tax under the PIT law. Further, it is unclear whether both spouses could claim the credit when a joint return is filed (i.e., a $150 credit for each spouse) or whether a single credit would be divided between the spouses.

- This bill would provide an unlimited carryover of excess credit amounts. Since tax credits are usually used within eight years, most recently enacted credits contain limited carryover provisions, usually eight or ten years.

BOARD POSITION

Neutral.

At its March 23, 1999, meeting, the Franchise Tax Board voted 2-0 to take a neutral position on this bill as amended February 18, 1999.